

In the opinion of Bond Counsel, interest on the Bonds is excluded from gross income subject to federal income taxation pursuant to the Internal Revenue Code of 1986, subject to certain conditions and assumptions described herein under "TAX EXEMPTION." The Bonds are not private activity bonds. Interest on the bonds is included in the computation of certain federal taxes on corporations.

STATE OF WASHINGTON

ADJUSTABLE RATE GENERAL OBLIGATION BONDS

\$100,000,000
SERIES VR-96A

\$100,000,000
SERIES VR-96B

Dated: Date of Issue

Due: June 2020

The State of Washington Adjustable Rate General Obligation Bonds, Series VR-96A and Series VR-96B (collectively, the "Bonds") are general obligations of the State of Washington (the "State") to which the State has pledged its full faith, credit and taxing power. Under provisions of Article VIII of the State Constitution, the Legislature is obligated to provide by appropriation for the payment of the principal of and interest on the Bonds when due.

The Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of interests in the Bonds will be made in book-entry only form in Authorized Denominations. Purchasers of such interests will not receive certificates representing their interests in the Bonds. Principal and interest are payable directly to DTC by the fiscal agencies of the State in New York, New York and Seattle, Washington, as Bond Registrar and paying agent for the Bonds (the "Bond Registrar"). Principal and interest are payable as described below. Upon receipt of payments of principal and interest, DTC will remit such principal and interest to the DTC Participants for subsequent disbursement to the purchasers of beneficial interests in the Bonds, as described herein.

The Bonds are adjustable rate bonds that may be in a Daily Mode, Weekly Mode, Commercial Paper Mode, Long Term Mode or Fixed Mode. The Bonds initially will be in the Weekly Mode and will bear interest, payable in arrears, at Weekly Rates determined by the Remarketing Agents as described herein. So long as the Bonds are in the Weekly Mode, the Interest Payment Date will be on the first Wednesday of each month for the Interest Accrual Period beginning on the previous Interest Payment Date to but not including the Interest Payment Date on which interest is to be paid. Bonds in the Weekly Mode may be purchased in Authorized Denominations of \$100,000 and any integral multiple thereof. The Bonds of each series may be in different modes, but all Bonds of each series will bear interest in the same mode.

The Bonds are subject to optional redemption and mandatory redemption by the State and optional tender and mandatory tender by the Owners. See "The Bonds—Optional Tender of Bonds," "The Bonds—Mandatory Tender of Bonds," and "The Bonds—Redemption of Bonds."

The State has entered into a Standby Bond Purchase Agreement with:

HELABA LANDESBANK HESSEN-THÜRINGEN GIROZENTRALE

acting through its New York Branch (the "Bank"). The Standby Bond Purchase Agreement is a liquidity facility that requires the Bank to purchase the Bonds tendered or deemed tendered to the extent not remarketed, subject to certain funding conditions described herein. **The Bank is not providing credit support for payment of regularly scheduled principal and interest.**

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision. The Bonds are offered when, as and if issued, subject to approval of legality and tax exemption by Preston Gates & Ellis, Seattle, Washington, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Foster Pepper & Shefelman, Seattle, Washington and for the Bank by Chapman and Cutler, Chicago, Illinois, its U.S. counsel, and by its in-house German counsel. It is anticipated that the Bonds will be available for delivery at the facilities of the Depository Trust Company in New York, New York, on or about February 29, 1996.

Merrill Lynch & Co.
as underwriter for
Series VR-96A

Goldman, Sachs & Co.
as underwriter for
Series VR-96B

Dated: February 12, 1996

No dealer, broker, salesman or other person has been authorized by the State to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from sources which are believed to be current and reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation. Estimates and opinions included herein should not be interpreted as statements of fact. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the State, or any agency or instrumentality thereof, since the date hereof.

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of the
STATE OF WASHINGTON

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(VR-96B Bonds)**

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Attention: Municipal Short-Term Desk
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OFFICIAL STATEMENT
STATE OF WASHINGTON
ADJUSTABLE RATE GENERAL OBLIGATION BONDS

\$100,000,000 SERIES VR-96A
\$100,000,000 SERIES VR-96B

This Official Statement provides certain information concerning the State of Washington (the "State") in connection with the sale of general obligation bonds.

Numerous State agencies including, in particular, the Office of State Treasurer, the Department of Revenue, the State Attorney General, the Economic and Revenue Forecast Council, and the Office of Financial Management have assisted the State Finance Committee in assembling the information contained herein. All references to and summaries of certain provisions of the Constitution and laws of the State and any other documents referred to herein do not purport to be complete and are qualified in their entirety by reference to the complete provisions thereof. Any statements involving estimates, projections, or forecasts are to be construed as such, rather than statements of facts or representations that such estimates, projections, or forecasts will be realized.

Reference is made to the Bond Resolution, attached at Appendix B, for the definition of terms capitalized and not otherwise defined herein.

THE BONDS

Security for the Bonds

The Bonds are general obligation bonds of the State issued in conformance with the requirements of Article VIII of the Washington State Constitution and secured by an unconditional pledge of the full faith, credit and taxing power of the State. Under provisions of Article VIII of the State Constitution, the Legislature is obligated to provide by appropriation for the payment of the principal of and interest on the Bonds. In addition, the statute(s) authorizing issuance of the Bonds requires the State Finance Committee annually to certify to the State Treasurer the amount needed to provide for the payment of debt service on the Bonds during the ensuing year. The State Treasurer must deposit in the state General Obligation Bond Retirement Fund, from any general State revenues, the amount or amounts needed to provide for debt service on the Bonds when due. As defined in Article VIII of the State Constitution, general State revenues include all State money received in the Treasury from each and every source, subject to certain exceptions including the following:

- (a) Fees and revenues derived from the ownership or the operation of any undertaking, facility, or project;
- (b) Earmarked gifts, grants, donations and aid;
- (c) Money for retirement system bonds and performance bonds;
- (d) Money from trust funds including taxes levied for specific purposes, such as the constitutionally dedicated motor vehicle fuel tax and the State levied property tax statutorily dedicated to public schools; and
- (e) Proceeds from the sale of bonds or other evidences of indebtedness.

Under the State Constitution, together with the statutes authorizing issuance of the Bonds, any Bondowner may by mandamus or other appropriate proceeding require the transfer of funds as described above, and any court of record may compel

payment of debt service on the Bonds. See APPENDIX B: BOND RESOLUTION--Sections 5.01 and 5.02.

Description of the Bonds

The Bonds are issued pursuant to Bond Resolution No. 835 (the "Bond Resolution"), adopted by the State Finance Committee ("the Committee") on January 23, 1996. The Bonds are issued for the purpose of providing a portion of the funds for construction of various projects as authorized by Chapter 14, Laws of 1989, 1st Extraordinary Session, as amended by Chapter 15, Laws of 1990, 1st Special Session, and by Chapter 12, Laws of 1993, 1st Special Session. See APPENDIX B: BOND RESOLUTION.

The Bonds are issuable as fully registered bonds in Authorized Denominations of (i) with respect to Bonds in a Daily Mode or Weekly Mode, \$100,000 and any integral multiple thereof; (ii) with respect to Bonds in a Commercial Paper Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof; (iii) with respect to Bonds in a Long Term Mode or a Fixed Rate Mode, \$5,000 and any integral multiple thereof within a maturity; and with respect to Bank Bonds, any amount (but only during the period those Bonds are Bank Bonds). The Bonds mature and become payable on June 1, 2020, subject to the provisions of the Bond Resolution relating to a change to Long Term Mode or Fixed Mode, and provisions relating to redemption prior to maturity.

Each Bond will be dated the date of authentication thereof and shall bear interest during the Interest Accrual Period, which will commence on the last Interest Payment Date to which interest has been paid (or, if no interest has been paid in such Mode, from the date of original authentication and delivery of such Bond or the Mode Change Date, as the case may be) to, but not including, the Interest Payment Date on which interest is to be paid, until the entire principal amount of such Bond is paid.

Interest on the Bonds in the Daily Mode, Weekly Mode or Commercial Paper Mode will be computed on the basis of a 365/366-day year for the actual number of days elapsed. Interest on the Bonds in the Long Term Mode or Fixed Mode will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Bonds may not bear interest at an interest rate that exceeds the Maximum Rate, which initially will be 12% per annum and which may not exceed 12% per annum except with respect to Bank Bonds.

Interest on the Bonds will be paid on each Interest Payment Date, which will be (i) with respect to Bonds in the Daily Mode, the first Business Day of each month; (ii) with respect to Bonds in the Weekly Mode, the first Wednesday of each month; (iii) with respect to a Commercial Paper Mode, the Purchase Date; (iv) with respect to Bonds in the Long Term Mode, the first Business Day of each June and December prior to the Purchase Date, and the Purchase Date; (v) with respect to Bonds in the Fixed Mode, each June 1 and December 1; (vi) any Mode Change Date; (vii) any Mandatory Purchase Date; (viii) the Maturity Date (but only with respect to the particular Bonds maturing on that date); and (ix) with respect to Bank Bonds, the dates described in the Bond Resolution.

Transfer and Exchange

Any Bond not held in immobilized, book-entry form may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and interest rate and for the same aggregate principal amount in any Authorized Denomination. The Bond Registrar will not be obligated to transfer or exchange any Bond during the 15 days preceding any Interest Payment Date or the Maturity Date or following any publication of notice of redemption. No charge will be imposed upon Registered Owners in connection with any transfer or exchange, except for taxes or governmental charges related thereto.

Determination of Interest Rates

The Bonds will be issued in a Weekly Mode and bear interest at a Weekly Rate. At the option of the State Treasurer, Bonds of either series in any Mode, other than a Fixed Mode, may be changed to any other Mode at the times and in the manner provided in the Bond Resolution and, after such change, the Bonds of such series will bear interest at the rate applicable to that other Mode. Each day on which one Mode terminates and another Mode begins is referred to as a "Mode Change Date." Any Bond converted to the Fixed Mode may not be changed to another Mode. The Bonds of each series will always be in the same Mode; however, the Series VR-96A Bonds and the Series VR-96B Bonds may be in different Modes at the same time. See APPENDIX B: BOND RESOLUTION -- Sections 2.08 and 2.09.

The Interest Rates and Interest Periods for the Series VR-96A Bonds and the Series VR-96B Bonds initially will be determined by Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co., respectively. Unless noted otherwise, the term "Remarketing Agent" means each of the Remarketing Agents acting with respect to the series of Bonds that it has been appointed to remarket. The interest rates determined by the Remarketing Agent and contained in the records of the Bond Registrar, and the determination by the Remarketing Agent of Interest Periods for Commercial Paper Bonds, absent manifest error, will be conclusive and binding upon the State, the Remarketing Agents, the Bond Registrar, the Bank and the Registered Owners and Beneficial Owners of the Bonds.

The Interest Rate for the Bonds will be determined by the Remarketing Agent as the rate of interest which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value as of the date of determination equal to the principal amount thereof (plus accrued interest) taking into account prevailing market conditions. With respect to the Commercial Paper Mode, the Remarketing Agent will determine the Commercial Paper Rate and the Interest Period for each Bond (which shall not exceed 270 days) at such rate and for such period as it deems advisable in order to minimize the net interest cost on the Bonds, taking into account prevailing market conditions; provided, however, that the foregoing will not prohibit the Remarketing Agent from establishing longer Interest Periods (and at higher Commercial Paper Rates) than are otherwise available at the time of any remarketing if the Remarketing Agent determines that, taking into account prevailing market conditions, a lower net interest cost on the Bonds can be achieved over the longer Interest Period. Notwithstanding the foregoing, if the Remarketing Agent has given or received notice that the Bonds are to be changed from the Commercial Paper Mode to any other Mode or are to be purchased pursuant to a mandatory tender, the Remarketing Agent will select Interest Periods which do not extend beyond the Mandatory Purchase Date.

The Interest Rate in effect for Bonds during any Interest Period and the length of the Interest Period for any Commercial Paper Bonds, shall be available to Beneficial Owners and Registered Owners between 1:00 P.M. and 5:00 P.M., New York City time, from the Remarketing Agent or the Bond Registrar at their principal corporate office.

Daily Mode

During the Daily Mode, the Remarketing Agent will establish the Daily Rate by 10:00 a.m., New York City time, on each Rate Determination Date (each Business Day commencing the first day the Bonds become subject to the Daily Mode). Each such Daily Rate will be in effect for the Interest Period beginning on the Mode Change Date which will be a Business Day and will extend to, but not include, the next Business Day.

Weekly Mode

During the Weekly Mode, the Remarketing Agent will establish the Weekly Rate by 4:00 P.M., New York City time, on each Rate Determination Date (generally each Tuesday or, if Tuesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, the Business Day next preceding such Tuesday).

Each such Weekly Rate will be in effect for the Interest Period beginning on a Wednesday and ending on the following Tuesday.

Commercial Paper Mode

During the Commercial Paper Mode, the Remarketing Agent, with respect to each Commercial Paper Bond that is subject to adjustment, will determine each Commercial Paper Rate for the Interest Period then selected for such Commercial Paper Bond by 1:00 P.M., New York City time, on each Rate Determination Date (the first day of an Interest Period). Each Commercial Paper Rate will be in effect for the Interest Period established by the Remarketing Agent.

By acceptance of any Commercial Paper Bond, the owner thereof will be deemed to have agreed, during each Interest Period, to the interest rate (including the Alternate Rate, if applicable), Interest Period and Purchase Date then applicable thereto and to have further agreed to tender such Bond for purchase on the next succeeding Purchase Date at the Purchase Price.

Long Term Mode

During the Long Term Mode, the Remarketing Agent will determine the Long Term Rate not later than 12:00 noon, New York City time, on the Rate Determination Date for the Long Term Mode (a Business Day at least one Business Day prior to the first day of an Interest Period). The Remarketing Agent and the State will determine the length of the Interest Periods. The Long Term Rate will be in effect from and including the first day of such Interest Period through and including the last day thereof.

During any Interest Period in the Long Term Mode, the Remarketing Agent, with the approval of the State, may designate any or all of the mandatory redemption payments set forth in the Bond Resolution as Serial Maturity Dates for the Bonds subject to the Long Term Mode.

Fixed Mode

The Remarketing Agent will determine the Fixed Rate not later than 12:00 noon, New York City time, on the Rate Determination Date for the Fixed Mode (a Business Day at least one Business Day prior to the Mode Change Date). The Fixed Rate will be effective from and including the Mode Change Date to the Maturity Date.

Changes In Mode

To effect a change in Mode, the State must give notice of the proposed conversion to the Bond Registrar and Remarketing Agent not less than 30 days prior to the proposed conversion from a Daily Mode, Weekly Mode or Commercial Paper Mode and not less than 45 days before the proposed conversion from a Long Term Mode. The Bond Registrar will give notice to the Registered Owners of Bonds then in a Daily Mode, Weekly Mode or Commercial Paper Mode by first class mail of proposed conversion not less than 15 days before the proposed Mode Change Date and to Registered Owners of Bonds in the Long Term Mode not less than 30 days before the proposed Mode Change Date. Such notice shall state the proposed Mode Change Date and the other matters prescribed by the Bond Resolution. See APPENDIX B: Bond Resolution--Section 2.09.

The Treasurer must convert the Interest Rate on the Bonds of either series to the Fixed Rate on the first practicable Mode Change Date if the average Interest Rate on the Bonds of such series for the prior six-month period would cause the State to exceed its statutory debt limit.

Each Mode Change Date must be a Business Day. Additionally, any Mode Change Date from the Commercial Paper Mode must be the last Purchase Date for all Interest Periods set by the Remarketing Agent; and any Mode Change Date from a Long Term Mode must be the Purchase Date of the current Interest Period.

A change in Mode will not become effective unless: (i) if the change is from the Commercial Paper Mode, the Bond Registrar shall have received, prior to the date on which notice of conversion is required to be given to Registered Owners, written confirmation from the Remarketing Agent for such series that it has not established and will not establish any Interest Rate Periods extending beyond the day before the Mode Change Date; (ii) if the change is from a Daily Mode, Weekly Mode or a Commercial Paper Mode to a Long Term Mode or Fixed Mode, or from a Long Term Mode to a Daily Mode, Weekly Mode or a Commercial Paper Mode, the Bond Registrar shall have been provided, no later than one day before the Mode Change Date, a Favorable Opinion of Bond Counsel with respect to the change in Mode; and (iii) if the Bonds are changed to a Mode with Authorized Denominations of less than \$100,000 and/or with an Interest Period of more than nine months, the State, on or prior to the Mode Change Date, will undertake to comply with all applicable rules and regulations regarding Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission. No conversion to a New Mode, other than a Fixed Mode, may be made if the Interest Period will be beyond the expiration of the Standby Bond Purchase Agreement, as that date may be extended.

If fewer than all of the Bonds to be changed to a new Mode have not been remarketed or if any of the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode will not take effect and all Bonds of such series will be changed to a Weekly Mode on the Mode Change Date.

Optional Tender of the Bonds

Book-Entry Procedures

For so long as the Bonds are registered in the name of DTC or any nominee thereof, all notices required or permitted to be given by the Registered Owners thereof and the delivery of Bonds will be effected in accordance with the DTC's rules and procedures.

Optional Tender of Bonds in the Daily Mode or the Weekly Mode

The Beneficial Owners of Bonds in a Daily Mode or a Weekly Mode may elect to have their Bonds (or portions of such Bonds in amounts equal to any Authorized Denomination) purchased at a price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date (the "Purchase Price"), (i) in the case of Bonds in the Daily Mode, upon delivery of an irrevocable tender notice by telecopy, telegraph, telex, facsimile transmission, time sharing terminal or any electronic means of communication that produces a written record ("Electronic Means") or telephone to the Bond Registrar, directly or through the Beneficial Owner's DTC Participant, not later than 11:00 a.m., New York City time, on any Business Day; and (ii) in the case of Bonds in the Weekly Mode, upon delivery of an irrevocable tender notice by Electronic Means or telephone to the Bond Registrar, directly or through the Beneficial Owner's DTC Participant, not later than 4:00 P.M., New York City time, on a Business Day not less than seven days before the Purchase Date specified by the Beneficial Owner.

Each notice of tender will be delivered to the Bond Registrar at its principal corporate trust office and be in form satisfactory to the Bond Registrar; and must state the CUSIP number, the Bond number and the principal amount of the Bonds to which the notice relates, that the Registered Owner irrevocably demands purchase of such Bond or a specified portion thereof in an amount equal to an Authorized Denomination, the date on which such Bond or portion is to be purchased, and payment instructions with respect to the Purchase Price. The determination of the Bond Registrar as to whether a notice of tender has been properly delivered pursuant to the foregoing will be conclusive and binding upon the Beneficial Owner.

Mandatory Tender of the Bonds

At the End of a Commercial Paper Mode Interest Period

Each Bond in the Commercial Paper Mode will be subject to mandatory tender for purchase on the day after the last day of each Interest Period applicable to such Bond at a Purchase Price equal to 100% of the principal amount thereof, plus interest accrued during the Interest Period. No notice of such mandatory tender will be given to the Registered Owners. The Registered Owner of any such Bond must provide the Bond Registrar with payment instructions for the Purchase Price of its Bond on or before the Mandatory Purchase Date.

On a Mode Change Date

Bonds to be converted from one Mode to a different Mode (except conversions between the Daily Mode and Weekly Mode) are subject to mandatory tender for purchase on the Mode Change Date at the Purchase Price. The Bond Registrar will give notice of such mandatory tender to the Registered Owners thereof.

At the End of a Long Term Mode Interest Period

Bonds in the Long Term Mode are subject to mandatory tender for purchase on the first day of each succeeding Interest Period at the Purchase Price.

Upon Substitution or Expiration of Standby Bond Purchase Agreement

If, on or prior to the 30th day next preceding the Substitution Date, the State has failed to deliver to the Bond Registrar a Rating Confirmation Notice in connection with the execution of an Alternate Liquidity Facility, or if, prior to the 30th day next preceding the Expiration Date, the State has failed to deliver to the Bond Registrar an Alternate Liquidity Facility, then in either event the Bond Registrar, no later than the 25th day next preceding the Substitution Date or Expiration Tender Date, as the case may be, shall give notice to the Registered Owners stating the Bonds are subject to mandatory tender for purchase and that interest will cease to accrue on the Substitution Date or the Expiration Tender Date, as the case may be. The failure to mail such notice with respect to any Bond will not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any owner.

Upon Event of Default Under Standby Bond Purchase Agreement

Each Bond in a Daily Mode, Weekly Mode, Commercial Paper Mode or Long Term Mode is subject to mandatory tender for purchase at the Purchase Price following the delivery by the Bank of a written notice pursuant to the Standby Bond Purchase Agreement that one of certain "Events of Default," as defined in the Standby Bond Purchase Agreement, has occurred and is continuing. The Mandatory Purchase Date shall be a Business Day at least five days prior to the date specified by the Bank as the termination date for the Standby Bond Purchase Agreement and shall be not more than 15 nor less than 10 days after the date such notice is received. No later than the eighth day next preceding the Mandatory Purchase Date, the Bond Registrar will give notice to the Registered Owners stating that the Bonds are required to be tendered for purchase (specifying the Mandatory Purchase Date and the procedures for tender and stating that if not so tendered Bonds will be deemed tendered and interest thereon will cease to accrue on the Mandatory Purchase Date). The failure to mail such notice with respect to any Bond will not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any owner.

Under certain Events of Default, the Bank will not be required to purchase the Bonds that have been tendered for mandatory purchase, Bonds so tendered will be returned to the Registered Owners thereof, and the Remarketing Agents will suspend their remarketing efforts. See THE LIQUIDITY FACILITY. Furthermore, if the Bank is not required to purchase the Bonds in those circumstances, the Remarketing Agents' remarketing obligations will cease.

Purchase of the Bonds

Not later than the close of business on any Purchase Date or Mandatory Purchase Date, as the case may be, and upon receipt by the Bond Registrar of 100% of the aggregate Purchase Price of the tendered Bonds, the Purchase Price of such Bonds will be paid to the Registered Owners thereof. Such payments will be made by wire transfer of immediately available funds. **Such payments will be made first from the proceeds of the remarketing of Bonds by the Remarketing Agent, and second, from money received from the Bank under the Standby Bond Purchase Agreement.**

Redemption of the Bonds

Optional Redemption of Bonds in the Daily Mode or the Weekly Mode

Bonds in the Daily Mode or the Weekly Mode will be subject to redemption at the option of the State, in whole or in part, in Authorized Denominations, on any Interest Payment Date for those Bonds at a redemption price equal to the principal amount thereof, plus, in the case of Bonds in the Daily Mode, interest, if any, accrued from the end of the last Interest Period.

Optional Redemption During Commercial Paper Mode

Bonds in the Commercial Paper Mode are not subject to optional redemption prior to their respective Purchase Dates. Commercial Paper Bonds will be subject to redemption at the option of the State, in whole or in part, on their respective Purchase Dates at a redemption price equal to the principal amount thereof.

Optional Redemption of Bonds in the Long Term Mode and Fixed Mode

Bonds in a Long Term Mode or Fixed Mode will be subject to redemption at the option of the State, in whole or in part, in Authorized Denominations on such dates and at such prices as determined by the State for such Bonds on the Rate Determination Date.

Mandatory Redemption

The Bonds are subject to mandatory redemption in part in Authorized Denominations, from equal amounts from each series of Bonds, on the first Interest Payment Date in June, 1996, and on the first Interest Payment Date in each June thereafter at a redemption price equal to par plus accrued interest to the date of redemption, in years and principal amounts as follows:

| <u>Year</u> | <u>Principal Amount</u> | <u>Year</u> | <u>Principal Amount</u> |
|-------------|-----------------------------|-------------|-----------------------------|
| 1996 | \$3,600,000 | 2009 | \$7,600,000 |
| 1997 | 4,400,000 | 2010 | 8,200,000 |
| 1998 | 4,600,000 | 2011 | 8,600,000 |
| 1999 | 4,800,000 | 2012 | 9,000,000 |
| 2000 | 5,000,000 | 2013 | 9,600,000 |
| 2001 | 5,200,000 | 2014 | 10,200,000 |
| 2002 | 5,400,000 | 2015 | 10,800,000 |
| 2003 | 5,800,000 | 2016 | 11,400,000 |
| 2004 | 6,000,000 | 2017 | 12,000,000 |
| 2005 | 6,200,000 | 2018 | 12,800,000 |
| 2006 | 6,600,000 | 2019 | 13,600,000 |
| 2007 | 7,000,000 | 2020 | 14,200,000 |
| 2008 | 7,400,000 | | |

To the extent that the State optionally redeems any of its general obligation bonds bearing fixed rates of interest during a year, the State may forego an equivalent dollar amount of principal redemption required pursuant to the foregoing paragraph during that year. Furthermore, the mandatory redemption schedule shown above may be converted in whole or in part to serial maturity dates and/or term maturity dates upon delivery of a favorable opinion of Bond Counsel prior to the commencement of a Long Term Mode or Fixed Mode.

Selection of Bonds for Redemption

Whenever fewer than all the Outstanding Bonds of a single maturity are to be redeemed, the Bonds to be redeemed will be selected in accordance with the terms of the Letter of Representations. Notwithstanding the foregoing, Bank Bonds will in all cases be redeemed first. In no event will any Bond be outstanding in a principal amount that is not an Authorized Denomination. Notice of redemption will be provided in accordance with the Letter of Representations.

Effect of Redemption

If notice of redemption has been duly given and money for the payment of the Redemption Price of the Bonds or portions thereof to be redeemed is held by the Bond Registrar, then on the Redemption Date the Bonds or portions thereof so called for redemption will become payable at the Redemption Price specified in that notice; and from and after the Redemption Date, interest thereon or portions thereof so called for redemption will cease to accrue, such Bonds or portions thereof will cease to be Outstanding and to be entitled to any benefit, protection or security hereunder and the Owners of such Bonds or on portions thereof will have no rights in respect thereof except to receive payment of the Redemption Price upon delivery of those Bonds to the Bond Registrar. Notwithstanding the foregoing, any Bank Bonds will remain Outstanding until the Bank is paid all amounts due in connection with such Bonds or portions thereof to be redeemed on the Redemption Date.

| MODE | DAILY | WEEKLY | COMMERCIAL PAPER | LONG TERM | FIXED RATE |
|----------------------------|--|--|--|--|--|
| AUTHORIZED DENOMINATIONS | \$100,000 and any integral multiple thereof | \$100,000 and any integral multiple thereof | \$100,000 and any integral multiple of \$5,000 in excess thereof | \$5,000 and any integral multiple thereof | \$5,000 and any integral multiple thereof |
| METHOD OF INTEREST PAYMENT | Wire transfer of immediately available funds | Wire transfer of immediately available funds | Wire transfer of immediately available funds | Bank check; except owners of \$1,000,000 can receive a wire transfer | Bank check; except owners of \$1,000,000 can receive a wire transfer |
| INTEREST CALCULATION | Actual/365 or 366 days | Actual/365 or 366 days | Actual/365 or 366 days | 12 30 day Months | 12 30 day Months |
| INTEREST PERIOD | Each Business Day to, but excluding, the next Business Day | Each Wednesday to, and including, the following Tuesday | Period set by the Remarketing Agent between 1 and 270 days | At least 1 year period from the Mode Change Date to, but not including, the Purchase Date | From the Mode Change Date to, but not including, the Maturity Date |
| RECORD DATE | The day preceding an Interest Payment Date | The day preceding an Interest Payment Date | The day preceding an Interest Payment Date | The 15th day of month preceding an Interest Payment Date | The 15th day of month preceding an Interest Payment Date |
| INTEREST PAYMENT DATES | <ul style="list-style-type: none"> - 1st Business Day of each month - Mode Change Date, except a change to Weekly - Substitution Tender Date - Expiration Tender Date - SBPA Default - Maturity Date | <ul style="list-style-type: none"> - 1st Wednesday of each month - Mode Change Date, except a change to Daily - Substitution Tender Date - Expiration Tender Date - SBPA Default - Maturity Date | <ul style="list-style-type: none"> - The Purchase Date - Mode Change Date - Substitution Tender Date - Expiration Tender Date - SBPA Default - Maturity Date | <ul style="list-style-type: none"> - 1st Business Day of June and December and Purchase Date - Mode Change Date - Substitution Tender Date - Expiration Tender Date - SBPA Default - Maturity Date | <ul style="list-style-type: none"> - June 1 and December 1 - Substitution Tender Date - Expiration Tender Date - SBPA Default - Maturity Date |
| RATE DETERMINATION DATE | Each Business Day | Each Tuesday or, if Tuesday is not a Business Day, Wednesday or, if such day is not a Business Day, the Business Day preceding Tuesday | The first day of each Interest Period | A Business Day at least one Business Day prior to the first day of an Interest Period | A Business Day at least one Business Day prior to the Mode Change Date |

Open Market Purchase

The State reserves the right to purchase Bonds on the open market at any time at any price acceptable to the State.

Book-Entry Bonds

The Bonds initially will be book-entry only, registered in the name of "Cede & Co.," as nominee of The Depository Trust Company ("DTC"), with one Bond for each series. The State may appoint a successor depository if it determines that it is in the interest of Beneficial Owners, and the Committee also may determine to discontinue a book-entry system and issue definitive Bonds.

The following information has been provided by DTC. The State makes no representation regarding the accuracy or completeness thereof. Each actual purchaser of a Bond (a "Beneficial Owner") should therefore confirm the following with DTC or the Participants (as hereinafter defined).

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds, in Authorized Denominations, under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

When notices are given, they will be sent by the Bond Registrar to DTC only. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

A Beneficial Owner will give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Bond Registrar, and will effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's

interest in the Bonds, on DTC's records, to the Bond Registrar. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the State or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State and the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

As noted above, the State may decide to discontinue use of the system of the book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the State and the Bond Registrar will have no responsibility or obligation to any Participant or to any person on behalf of whom a Participant holds an interest in the Bonds with respect to (a) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds; (b) the delivery to any Participant or any other person, other than a bondowner as shown in the Bond Register, of any notice with respect to the Bonds, including any notice of redemption; (c) the payment to any Participant or any other person, other than a bondowner as shown on the Bond Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds; (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or action taken by DTC as registered Owner; or (vi) any other matter. The State and the Bond Registrar may treat and consider Cede & Co., in whose name each Bond is registered on the Bond Register, as the holder and absolute Owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever.

THE LIQUIDITY PROVIDER

The following information is provided by the bank serving as the liquidity provider. The State makes no representation concerning the accuracy or completeness thereof.

Landesbank Hessen-Thüringen Girozentrale (the "Bank" or "Helaba") ranks among Germany's major banks with total assets of approximately \$84.26 billion, shareholders' equity of approximately \$1.59 billion, total loans of approximately \$67.41 billion and total deposits of approximately \$41.67 billion for the year ending December 31, 1994 (at December 31, 1994, the exchange rate was US \$1=DM 1.5488). Helaba is one of the largest issuers of bank bonds and notes in Germany with a total of more than \$32.85 billion outstanding. The Bank's Eurobonds and medium term notes have been rated AAA/Aaa by Standard & Poor's Ratings Group and Moody's Investors Service, Inc. Its short-term deposits including its U.S. commercial paper and certificates of deposits have been rated A-1+/P-1.

Helaba is owned by the savings banks of Giro Association Hesse-Thuringia. The Bank acts as the Giro central bank for these savings banks in Hesse and Thuringia and as a municipal bank for the municipalities/districts in those states. Headquartered in Frankfurt/Main and Erfurt, Helaba concentrates on wholesale financial services offering comprehensive banking facilities for multinational corporations, central banks, public sector entities and other financial institutions. It has branch offices in London, New York and Grand Cayman and wholly-owned subsidiaries in Luxembourg, Dublin, Amsterdam and Zurich. Representative offices are being maintained in Warsaw, Budapest, Prague, Brussels, Paris and Hong Kong.

Helaba's New York Branch licensed under New York law, provides a full range of wholesale commercial banking services in the New York City metropolitan area and throughout the United States. Upon written request, the Bank will provide without charge a copy of its most recent Annual Report. Requests should be directed to the following: Landesbank Hessen-Thüringen Girozentrale, New York Branch, 420 Fifth Avenue, 24th Floor, New York, N.Y. 10018, Tel: (212) 703-5200, Fax: (212) 703-5256.

THE LIQUIDITY FACILITY

The following is a brief summary of the principal terms of the Standby Bond Purchase Agreement. Reference is made to Appendix C, for a copy of the full text of the Standby Bond Purchase Agreement, including certain capitalized (defined) terms used herein.

The State has entered into a Standby Bond Purchase Agreement, dated as of February 1, 1996 (the "Standby Bond Purchase Agreement") with the Bank in order to provide liquidity for Bonds that are tendered for purchase, either on an optional or mandatory basis, and are not remarketed by the respective Remarketing Agent. See "THE BONDS - Optional Tender of the Bonds and Mandatory Tender of the Bonds." Under the terms of the Standby Bond Purchase Agreement, the Bank has agreed to purchase (with its own funds) all Bonds tendered during the Commitment Period. The total dollar amount available under the Standby Bond Purchase Agreement is equal initially to \$202,301,370 (outstanding principal plus 35 days of interest at 12%). The initial Commitment Period ends on February 28, 2001, subject to earlier termination upon the occurrence of certain events. See APPENDIX C: STANDBY BOND PURCHASE AGREEMENT, for a definition of "Commitment Period."

On any Business Day during the Commitment Period, the Bank will advance funds to purchase Bonds tendered or deemed tendered upon receipt of a Notice of Bank Purchase (a form to be completed by the Bond Registrar) at or before 1:00 p.m., New York time, on that Business Day. If the Bank receives the Notice, appropriately completed by 1:00 p.m. (and provided that certain conditions (including without limitation the events of default described in the next paragraph) have *not* occurred), the Bank will transfer money to the Bond Registrar no later than 2:30 p.m, New York time, for purposes of paying the Purchase Price of tendered Bonds.

The Bank's obligation to purchase Bonds shall terminate immediately without any action on the part of the Bank upon the occurrence of any of the following events of default: (1) the State shall fail to pay or cause to be paid when due any amounts with respect to the principal of or interest on or premium, if any, on the Bonds (including Bank Bonds); (2) the State shall fail to make any payment in respect of any debt of the State (within the meaning of Article 8, Section 1 of the Constitution of the State of Washington) secured by the full faith and credit of the State or required to be paid, directly or indirectly, from general state revenues, with an outstanding aggregate principal amount exceeding \$5,000,000, when due beyond the applicable grace period for such debt, if any, provided in the instrument or agreement under which such debt was created or issued; or (3) a moratorium shall have been declared or announced (whether or not in writing) by the State with respect to any general obligation debt of the State or the State shall seek any form of debtor relief affecting its general obligation debt or a receiver shall be appointed with respect to any assets of the State or the State shall be subject to any proceeding the effect of which would result in the repudiation of amounts payable under the Standby Bond Purchase Agreement or the Bonds (including Bank Bonds).

In addition, the Bank is permitted, upon the occurrence of certain "Events of Default" to terminate the Standby Bond Purchase Agreement by written notice to the Bond Registrar, the State and the Remarketing Agent. The written notice will request the Bond Registrar to give notice of mandatory tender for purchase of the Bonds, thereby causing the Bank's obligation to purchase Bonds to terminate 30 days thereafter. See APPENDIX C: STANDBY BOND PURCHASE AGREEMENT--ARTICLE VII - Events of Default.

Bonds purchased with money advanced under the Standby Bond Purchase Agreement become "Bank Bonds" and may not be remarketed unless or until the Bank has confirmed in writing to the Bond Registrar that the Available Principal Commitment has been reinstated and that the Bonds are no longer considered Bank Bonds.

As consideration for the Bank's agreement to enter into the Standby Bond Purchase Agreement, the State will pay fees to the Bank on a periodic basis and will reimburse the Bank for certain fees and expenses, including increased costs.

THE REMARKETING AGENTS

The Remarketing Agent for the VR-96A Bonds

Merrill Lynch, Pierce, Fenner & Smith Incorporated has been appointed to serve as Remarketing Agent for the Series VR-96A Bonds. The Remarketing Agent may resign or be removed and a successor Remarketing Agent may be appointed for the Series VR-96A Bonds in accordance with the Remarketing Agreement and the Bond Resolution. The Remarketing Agent is obligated under the Remarketing Agreement to use its best efforts to remarket Series VR-96A Bonds in accordance with the Bond Resolution.

The Remarketing Agent for the VR-96B Bonds

Goldman, Sachs & Co. has been appointed to serve as Remarketing Agent for the Series VR-96B Bonds. The Remarketing Agent may resign or be removed and a successor Remarketing Agent may be appointed for the Series VR-96B Bonds in accordance with the Remarketing Agreement and the Bond Resolution. The Remarketing Agent is obligated under the Remarketing Agreement to use its best efforts to remarket Series VR-96B Bonds in accordance with the Bond Resolution.

LITIGATION

There is not now pending any litigation restraining or enjoining the sale, issuance, execution or delivery of the Bonds or in any other manner affecting the validity of the Bonds or the proceedings or authority pursuant to which they are to be sold and issued.

At any given time, including the present, there are numerous lawsuits pending against the State which could affect the State's revenues or expenditures. The Attorney General of the State is of the opinion that no pending suits could have a material adverse effect on either revenues or expenditures.

INITIATIVE AND REFERENDUM

Under the State Constitution, the voters of the State have the ability to initiate legislation and modify existing legislation through the powers of initiative and referendum, respectively. Initiatives and referenda will be submitted to the voters upon receipt of a petition signed by at least eight percent (initiative) and four percent (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. The issuance of the Bonds is not subject to initiative and referendum.

BOND RATINGS

The Bonds are expected to be rated by Fitch Investors Service, Inc., Moody's Investors Service Inc., and Standard & Poor's Ratings Group, a division of McGraw Hill. Such ratings are available to subscribers from each of those ratings, and, when given, will reflect only the respective views of such rating agencies and may not be treated as a recommendation to buy, sell or hold the Bonds. An explanation of the significance of any such ratings may be obtained from any of the rating agencies furnishing the same.

There is no assurance that such ratings, if given, will be maintained for any given period of time or that they may not be raised, lowered, suspended or withdrawn entirely by the rating agencies, or any of them, if in their or its judgment, circumstances warrant. Any such downward change in or suspension of or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

TAX EXEMPTION

General

In the opinion of Preston Gates & Ellis, Seattle, Washington, Bond Counsel, interest on the Bonds is excluded from gross income subject to federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986 (the "Code"), provided the arbitrage requirements of Section 148 of the Code described in this section under the heading "Continuing Requirements" are complied with.

The Bonds are not private activity bonds and interest on the Bonds is not an item of tax preference for purposes of determining alternative minimum taxable income for individuals or corporations under the Code. However, interest on the Bonds is taken into account in the computation of adjusted current earnings for purposes of the corporate alternative minimum tax under Section 55 of the Code and in the computation of the environmental tax on corporations under Section 59A of the Code as more fully described in this section under the heading "Certain Federal Income Tax Consequences."

Except as described herein, Bond Counsel expresses no opinion on any federal, state or local tax consequence arising with respect to ownership of the Bonds.

Continuing Requirements

Section 148 of the Code has continuing arbitrage requirements that must be met subsequent to the issuance of the Bonds for the interest on the Bonds to be, and remain, exempt from regular Federal income taxation. These requirements include provisions that prescribe investment yield limitations for the proceeds of the Bonds and that certain investment earnings be paid on a periodic basis to the Federal government. The Bond Resolution contains covenants of the State to comply with these continuing arbitrage requirements. Bond Counsel has not undertaken to determine (or to inform any person) whether any action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of the interest on the Bonds.

Certain Federal Income Tax Consequences

The following is a discussion of certain federal tax matters under the Code. This discussion does not purport to deal with all aspects of federal taxation that may be relevant to particular bondowners. Prospective Bondowners, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Alternative Minimum Tax on Corporations

Section 55 of the Code imposes an alternative minimum tax on corporations equal to the excess of the tentative minimum tax for the taxable year over the regular tax for such year. The tentative minimum tax is based upon alternative minimum taxable income which is regular taxable income with certain adjustments and increased by the amount of certain items of tax preference. One of the adjustments is a portion (75% for any taxable year beginning after 1989) of the amount by which a corporation's adjusted current earnings exceeds the corporation's alternative minimum taxable income (determined without regard to such adjustment and the alternative tax net operating loss deduction). Interest on tax-exempt obligations, such as the Bonds, is included in a corporation's adjusted current earnings.

Environmental Tax on Corporations

Section 59A of the Code imposes an environmental tax on corporations for taxable years beginning before January 1, 1996 (subject to certain exceptions) equal to .12% of modified alternative minimum taxable income (determined, in part, without regard to the alternative minimum tax net operating loss deduction) that is in excess of \$2,000,000. Interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of this environmental tax. The environmental tax is payable whether or not an alternative minimum tax is payable.

Financial Institutions

The Code denies banks, thrift institutions and other financial institutions a deduction for 100% of their interest expense allocable to tax exempt obligations, such as the Bonds, acquired after August 7, 1986.

Borrowed Funds

The Code provides that interest paid on funds borrowed to purchase or carry tax-exempt obligations during a tax year is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or when carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies

The deduction for loss reserves for property and casualty insurance companies is reduced by 15% of the sum of certain items, including the interest received on tax-exempt bonds, such as the Bonds.

Social Security and Railroad Retirement Benefits

The Code also requires recipients of certain Social Security or Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest that are exempt from federal income tax.

Branch Profits Tax

Certain foreign corporations doing business in the United States may be subject to a branch profits tax on their effectively connected earnings and profits, including tax-exempt interest on obligations such as the Bonds.

S Corporations

Certain S corporations that have subchapter C earnings and profits at the close of a taxable year and gross receipts more than 25% of which are passive investment income, which includes interest on tax-exempt obligations, such as the Bonds, may be subject to a tax on excess net passive income.

FUTURE SALES OF OBLIGATIONS

It is anticipated that in addition to the Bonds, the State will issue between \$400,000,000 and \$500,000,000 of general obligation bonds for various capital projects and highway construction in the first half of calendar 1996.

In the event market conditions permit refunding of bonds, such refundings will be considered.

ECONOMIC AND REVENUE FORECASTS

Revenue, budgetary and economic information concerning the State government and Washington State as a whole is contained in Appendix A. Pursuant to State law the Office of Economic and Revenue Forecast Council (the "Council") provides State economic and tax revenue results and forecasts on a quarterly basis. The next release of data is to occur on or about February 20, 1996, and formal publication of a report containing that data will occur approximately one month later after approval of the report by the Council. Copies of that report and subsequent reports may be obtained for a fee from the Office of Economic and Revenue Forecast Council, P.O. Box 40912, Olympia, Washington 98504-0912. *See* APPENDIX A: GENERAL AND ECONOMIC INFORMATION--REVENUES, EXPENDITURES, AND FISCAL CONTROLS--State Economic and Revenue Forecasting Process.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the State of the Bonds are subject to the approval of legality by Preston Gates & Ellis, Seattle, Washington, Bond Counsel, and certain other conditions. Compensation to Bond Counsel is contingent upon the issuance of the Bonds. Bond Counsel serves from time to time as counsel to each of the Underwriters with respect to transactions unrelated to the Bonds, including other bonds issued by the State. Bond Counsel has not been retained to participate in the preparation or review of this Official Statement and will not render any opinion on the accuracy or completeness of this Official Statement, except as provided in the Purchase Contract for the Bonds.

Foster Pepper & Shefelman, Seattle, Washington, is acting as counsel to the Underwriters of the Bonds. Foster Pepper & Shefelman also serves as bond counsel to the State from time to time.

UNDERWRITING

Underwriting of the VR-96A Bonds

The VR-96A Bonds are being purchased by Merrill Lynch & Co., as Underwriter. The Underwriter of the VR-96A Bonds has agreed to purchase the Bonds at an aggregate price of \$99,912,500 (which represents the initial aggregate amount of the Bonds less an Underwriter's discount of \$87,500). The Purchase Contract pursuant to which the Bonds are being purchased by the Underwriter provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract.

Underwriting of the VR-96B Bonds

The VR-96B Bonds are being purchased by Goldman Sachs & Co., Inc., as Underwriter. The Underwriter of the VR-96B Bonds has agreed to purchase the Bonds at an aggregate price of \$99,829,589 (which represents the initial aggregate amount of the Bonds less any Underwriter's discount of \$170,411). The Purchase Contract pursuant to which the Bonds are being purchased by the Underwriter provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract.

CONTINUING DISCLOSURE

The Bonds initially will be in Authorized Denominations of \$100,000 and will have an Interest Period of less than nine months and, therefore, the Bonds are not subject to Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). In the Remarketing Agreement, the Committee has agreed on behalf of the State that if the Bonds are converted to a Mode with Authorized Denominations of less than \$100,000 and/or with an Interest Period of more than nine months the Committee, prior to the Mode Change Date, will enter in to a binding agreement or undertaking with Registered Owners of Bonds that will be so converted that complies with the Rule as promulgated by the Securities and Exchange Commission in effect on the date of such binding agreement.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of interests in the Bonds. Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements of their provisions.

Excerpts from the 1995 Audited General Purpose Financial Statements (which is part of the 1995 Comprehensive Annual Financial Report (CAFR)) are attached in "APPENDIX F". Copies of the entire State's 1995 CAFR are available upon request from the office of the State Treasurer.

MINORITY AND WOMEN'S BUSINESS ENTERPRISE PARTICIPATION

Pursuant to the Washington State Office of Minority and Women's Business Enterprise (OMWBE) policy, the minority and woman-owned firm of P.G. Corbin & Company, Inc. serves as co-financial advisor.

DELIVERY OF BONDS

It is expected that delivery of the Bonds will take place through the facilities of The Depository Trust Company in New York, New York on or about February 29, 1996.

APPROVAL OF OFFICIAL STATEMENT

The State Finance Committee, by the Bond Resolution as adopted on January 23, 1996, authorized Daniel K Grimm, the State Treasurer and Chairman, to review and approve this Official Statement on behalf of the State.

STATE OF WASHINGTON

By: State Finance Committee

By: Daniel K Grimm

State Treasurer and Chairman

Dated: February 12, 1996

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